

**ANNUAL REPORT
OF THE
COMMISSION ON STATE TAX AND
FINANCING POLICY**



**Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204**

November, 2000

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2000

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COMMISSION ON STATE TAX AND FINANCING POLICY

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A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at <http://www.state.in.us/legislative/>.

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Commission is charged by IC 2-5-3-5 to study and investigate the following:

- (1) The present state, county, and city tax structure of the state of Indiana.
- (2) Its revenue-producing characteristics and effects upon the economy of the state of Indiana.
- (3) Its equalities and fairness.
- (4) The enforcement policies and administrative practices related to that tax structure.
- (5) The costs of collection in relationship to the burden of the tax.
- (6) The overall administrative matters, fiscal matters, and procedural problems of the various departments of the state, county, and city governments as they relate to tax and financing policy.
- (7) Any tax or financing problems referred to the commission for study and research by a resolution of the Legislative Council.

The Commission consists of five members of the General Assembly. The chair of the Legislative Council appoints the chair of the Commission.

In addition, the Legislative Council assigned the following additional responsibilities to the Commission during the 2000 interim:

- (1) Study the enactment of tax exemptions or tax credits, or both, on raw materials used by Indiana manufacturers.
- (2) Study the desirability and feasibility of establishing Renaissance Zones with the State of Indiana.
- (3) Study the issue of annual adjustments to the true tax values of real property and the need for periodic physical inspections of real property.
- (4) Study potential shifts among classes of taxpayers resulting from the next general reassessment.
- (5) Study the taxation of retirement benefits for federal employees.
- (6) Study the issue of state taxation of electronic commerce.
- (7) Monitor the implementation of P.L. 6-1997.

II. SUMMARY OF WORK PROGRAM

The Commission met twice during the interim following the conclusion of the 2000 Session of the General Assembly. Both meetings were held at the State House in Indianapolis.

At its first meeting, held on August 10, 2000, the Commission heard testimony on issues related to the taxation of electronic commerce; property tax exemptions for raw materials; the possibility of using annual adjustment to assessed values; and the implementation of P.L.6-1997 (which provided that, effective March 1, 2001, assessed values would no longer be equal to one-third of true tax values, but would instead be equal to 100% of true tax values).

At its second meeting, held on October 4, 2000, the Commission heard additional testimony describing recent activity by the National Counsel of State Legislatures and other organizations on the "sales tax simplification" project. The Commission heard testimony concerning the taxation of federal employees' retirement benefits; the possibility of distributing county adjusted gross income tax (CAGIT) and county option income tax (COIT) based on units' maximum property tax levies rather than actual property tax levies; and various examples of property tax relief programs that have been implemented throughout the United States. The Commission also heard testimony describing the property tax exemptions for property used for religious, educational, or charitable purposes and recent court decisions addressing property tax exemptions. In addition, staff provided a report comparing Michigan's "Renaissance Zones" and Pennsylvania's "Keystone Opportunity Zones" to Indiana's enterprise zones.

III. SUMMARY OF TESTIMONY

Taxation of Electronic Commerce

The Commission heard testimony from Senator Lawrence Borst, a member of the Commission, describing the proposals from the National Conference of State Legislatures (NCSL) and the National Governors Association (NGA) concerning the streamlining of sales and use tax collection.

Senator Borst described the *Bellas Hess* and *Quill* cases, which prohibit a state from requiring the collection of sales and use tax by remote sellers that do not have sufficient nexus with the state. Senator Borst stated that with the growth of sales over the Internet, Indiana would lose additional sales and use tax revenue, although it was uncertain how much would be lost.

He then explained that he is a member of the NCSL committee that is exploring ways in which the sales tax collection process could be streamlined. Senator Borst said that the NCSL and the NGA have devised a plan under which merchants could voluntarily participate in a sales and use tax collection process in which a third-party would calculate, collect, and remit sales and use tax. Under such a plan, participating retailers would be relieved of their sales and use tax collection duties, and the third-party responsible for those duties would be reimbursed in a manner similar to credit card transactions. He emphasized that this would not involve imposing new taxes, but would instead facilitate the collection of taxes that are due on sales transactions under existing laws.

Senator Borst also stated that four states are preparing to implement the NCSL \ NGA proposal on a trial basis. He said that he hopes Indiana passes the model legislation to allow it to participate in the sales tax streamlining program.

The Commission also heard testimony from Professor John Mikesell, Professor of Public Finance and Policy Analysis at Indiana University. Professor Mikesell began by distributing to Commission members written testimony and a number of articles related to the taxation of electronic commerce. Professor Mikesell then testified that while the sales and use tax revenue loss from remote sellers engaging in electronic commerce is relatively small, it is growing. He said that by fiscal year 2003, the state may be losing as much as \$325 million per year, or five percent to seven percent of sales tax revenue at that time.

Professor Mikesell explained that under the Quill decision remote sellers who do have some physical presence in the state are required to collect and remit sales and use tax, while those remote sellers who do not have an in-state presence cannot be required to collect the tax. He stated that if a remote seller does not have a physical presence in the state, the state must then either attempt to collect the tax from the purchaser or convince the seller to voluntarily agree to collect the tax, even though the seller cannot be forced to do so.

Professor Mikesell then described to the Commission nexus issues involving an out-of-state electronic seller that is affiliated with a merchant that has an in-state physical presence. He stated that under existing laws and judicial interpretations, the remote seller is viewed as a separate entity from the in-state seller, and the remote seller is not held to have nexus merely because of the presence of its affiliate. Professor Mikesell stated that there is growing use of in-state showrooms to help consumers decide on a purchase that is ultimately completed electronically with a remote affiliate that does not collect sales and use tax. He said that this raises two problems: (1) lost tax revenue; and (2) discrimination against in-state merchants -- typically smaller merchants -- that do not have remote affiliates.

Professor Mikesell then briefly described proposals concerning taxation of electronic commerce that are being considered in the United States Congress:

- (1) The proposed Internet Tax Elimination Act, which would have eliminated sales and use tax on transactions that use the Internet or other electronic communication. However, this bill has died.
- (2) The New Economy Tax Simplification Act, which would codify the physical presence rule as the nexus standard.
- (3) The Internet Tax Moratorium and Equity Act, which would: (a) require registration by remote sellers; (2) prohibit different local sales tax rates within a state; and (3) require states to cooperate on a number of issues.

Professor Mikesell then testified concerning the simplification proposals. He said that a problem with sales tax simplification is that states currently differ on what is exempt from sales tax and what is taxable, and that simplification might require some states to change their sales tax laws considerably.

The Commission also heard testimony from a witness representing the Indiana Retail Council. This witness stated that Internet sales are growing rapidly, and that by 2005 as much as 20% of transactions may be made by a remote seller. He urged the Commission and the General Assembly to support the NGA \ NCSL model legislation concerning sales tax simplification.

Property Tax Exemptions for Raw Materials

The Commission heard testimony from Sheila Klinker. Representative Klinker, who explained that during the past legislative session she had introduced HB 1386, which would have provided a property tax exemption for raw materials and parts that are to be incorporated into goods that will be shipped out of state. She noted that as the bill moved through the legislative process, it was amended to apply only to Tippecanoe County. Representative Klinker stated that when designing a property tax exemption for raw materials, it is important to remember concerns about potential property tax shifts.

The Commission heard testimony on this issue from the executive director of Greater Lafayette Progress. The witness explained that Tippecanoe County has the sixth highest inventory tax burden in the state, and he commented that local manufacturers cite the inventory tax as the most important issue they face. He stated that he supports the proposed exemption, and that it is an expansion of the current exemption for finished goods to be shipped out of state.

The Commission then heard testimony from a witness representing Caterpillar Corporation, who explained that Caterpillar's Lafayette Engine Center pays over \$1.5 million in inventory taxes, even though 99% of its product is eventually shipped out of state. He testified that if the Lafayette Engine Center were in Illinois, its property tax liability would be reduced by 93%. The witness noted that \$27 million of the Center's inventory was exempt, because it was ready to be shipped out of state, but that \$59 million of work in progress was taxable, even though Caterpillar knew where it would be shipped out of state, and that an additional \$31 million in inventory was also taxable, even though 99% of the finished product would eventually be shipped out of state.

The Commission next heard testimony on this issue from representatives of the Indiana Economic Development Association (IEDA). These witnesses stated that the IEDA supports elimination of the inventory tax because of its impact on manufacturers, and that this impact is especially hard on "second-tier" manufacturers that ship products to other manufacturers. They gave a number of examples of Indiana manufacturers that supply goods to other manufacturers, rather than producing finished goods.

A representative of the Indiana Manufacturers Association (IMA) distributed to the Commission a portion of the Final Report of the Indiana Fair Market Value Study, and noted that the study showed that Indiana is one of only ten states that tax inventory. The witness stated that some nearby states are phasing out their inventory tax. He testified that the IMA is in favor of completely eliminating the inventory tax, and that providing an exemption for raw materials that will be part of a finished good shipped out of state is a step forward.

The Commission also heard testimony from a representative of the Indiana Chamber of Commerce. He stated that the Chamber was also in favor of completely eliminating the inventory tax, and he distributed to the Commission a letter from Joseph E. Seagrams and Sons, Inc., describing how its product is subject to property taxation as it matures in barrels at its Indiana

distillery, even though more than 96% of the final product is shipped out of state.

A witness representing the St. Joseph County Chamber of Commerce also spoke in favor of the proposal to exempt raw materials used in products to be shipped out of state.

Senator Ron Alting testified that the proposed exemption would be beneficial to economic development and job creation and retention, and he commented that the proposal should be implemented on a state-wide basis, and not just in Tippecanoe County.

The Commission heard testimony from a representative of the Association of Indiana Counties (AIC), who stated that he merely wished to remind the Commission that a property tax exemption for raw materials would shift the tax burden onto other taxpayers.

Annual Adjustments to Assessed Values

The Chairman of the State Board of Tax Commissioners, testified concerning the issue of annual adjustments to assessed values of property. He distributed a paper to the Commission outlining positive aspects and negative aspects of annual reassessment, and he stated that the State Board supports the concept of annual adjustments to assessed values. The witness said that such annual adjustments would lead to greater equity in assessments, because changes to assessments could be made annually instead of once every four years. He stated that one negative aspect of annual adjustment would be the administrative costs involved.

In response to questions concerning the estimated cost of carrying out annual adjustments, the witness testified that if the adjustments were done by applying new value factors to existing values, the cost would be fairly low, but that it would be very expensive if the adjustments involved actual physical inspections of property. He explained that not all assessors are currently equipped to make such annual adjustments, and that it would take time to implement such a program.

The Commission then heard testimony from the Monroe County Assessor (who is also the President of the County Assessors Association). She stated that she was in favor of implementing annual adjustments, but that her biggest concern was with the software that would be necessary for such a system. This witness said that under such a system there would not be a need for annual physical inspection of property, and that perhaps an inflation factor could be used to adjust the assessed values.

The Lawrence Township (Marion County) Assessor testified that he was not opposed to the concept of annual adjustments. He said that he had concerns on a number of elements that would be used in such a system: (a) the accuracy of the information on sales disclosure forms; (b) the definition of "arm's length transaction" that would be used; and (c) the cost tables that would be used.

Implementation of P.L.6-1997

The Chairman of the State Board of Tax Commissioners also testified concerning P.L.6-1997 (HEA 1783) and the conversion of assessed values to 100% of true tax value. He began by explaining that P.L.6-1997 provided that, effective March 1, 2001, assessed values would no longer be equal to one-third of true tax values, but would instead be equal to 100% of true tax

values.

The witness stated that the conversion to 100% of true tax value was originally timed to coincide with the reassessment, and that when the reassessment was delayed the State Board decided to proceed with the conversion. He noted that one reason why the State Board decided to proceed was to avoid the confusion that would result if taxpayers were required to compare assessed values after the reassessment to assessed values from before the reassessment and the conversion. The witness commented that such a comparison would make it difficult for taxpayers to understand what changes in assessed values were due to the conversion to 100% of true tax value and what changes were due to the reassessment. He noted that the State Board is working with local officials and the Association of Indiana Counties in order to implement the conversion.

In answer to questions from the Commission, the witness stated that the State Board is considering an insert to be sent with the tax bills that use the converted assessed values. Commission members stressed that some type of public education effort is important, because taxpayers might otherwise see the converted assessed values and file appeals without understanding what has happened.

The Monroe County Assessor commented that county assessors are already preparing for 2001 (pay 2002) property taxes, but that they are still using the old, unconverted assessed values. She said that a survey of county assessors showed that most would rather have the conversion of assessed values delayed so that it would coincide with the reassessment, and she noted that county auditors and treasurers are also concerned about the conversion.

This witness stated that the conversion to 100% of true tax value will require major software changes and a great deal of programming time for counties. She noted that county auditors would be affected by the changes even sooner than county assessors. The witness also stated that it is too late for the General Assembly to change the effective date of the assessed value conversion, so the County Assessors Association is moving ahead with the implementation.

The Lawrence Township (Marion County) Assessor stated that a majority of township assessors wish to delay the conversion until the reassessment. He explained that because assessors are not required to send a notice to taxpayers in 2001 notifying them of the assessed value conversion, the first notice taxpayers will receive will be the Spring 2002 bill. He pointed out that under existing law, in the absence of a formal notice from an assessing official, a tax bill serves as a notice of a change in an assessment, and this would allow a taxpayer to appeal. This witness said that even with a public education program, many taxpayers will file appeals after they first see their converted assessed values. He also stated that the converted assessed values would also require a great deal of work to recalculate the homestead credits for partial homesteads.

Renaissance Zones

The Commission's staff then presented information comparing Michigan's Renaissance Zones, Pennsylvania's Keystone Opportunity Zones, and Indiana's Enterprise Zones. The staff stated that:

- (1) Michigan enacted its renaissance zone law in 1997 in order to attract jobs to areas that have struggling economies;
- (2) businesses located in and conducting business activity in a renaissance zone pay no real or personal property taxes, no "single business tax," and no state or local personal

income taxes;

(3) renaissance zone law allows for the establishment of "sub-zones;"

(4) there are 20 renaissance zones in Michigan (10 urban, seven rural, and three former military installations), and Michigan claims that the zones have helped in adding over \$330 million in new investments;

(5) Pennsylvania's keystone opportunity zone program began in 1999;

(6) these zones are designated by local communities and approved by the state; and

(7) under the keystone opportunity zone program, binding ordinances and resolutions were passed granting the waiver, abatement, or exemption of various state and local taxes, including real and personal property taxes, business income taxes, state personal income tax, local "earned income" tax, sales and use taxes, local business occupancy tax, and local business privilege tax.

Staff then briefly described Indiana's enterprise zone program, noting that the program was established in 1983 and that there are 21 zones. The enterprise zone program is governed by the Indiana State Enterprise Zone Board, and the available tax incentives under the program include:

(1) inventory tax credits;

(2) a gross income tax exemption for zone businesses on increases in receipts from zone operations;

(3) a state income tax credit for the purchase of an ownership interest in a zone business;

(4) a loan-interest tax credit for lenders;

(5) a state income tax credit based on wages paid to qualified zone employees; and

(6) an income tax deduction for persons employed in a zone.

Taxation of Federal Employees' Retirement Benefits

The Commission's staff provided information from the National Conference of State Legislatures (NCSL) and the National Association of Retired Federal Employees (NARFE) showing the state income tax treatment of various types of retirement income.

Staff explained that Indiana does not tax Social Security retirement benefits or federal Railroad Retirement Board benefits. These benefits, to the extent they are included in federal adjusted gross income and therefore included in Indiana's income tax base, are deductible under IC 6-3-1-3.5.

Indiana provides a partial exemption for federal civil service annuity income. Under IC 6-3-2-3.7, a taxpayer who is at least age 62 is entitled to an income tax deduction equal to the difference between: (1) the first \$2,000 received from a federal civil service annuity during the year; minus (2) the total amount of Social Security benefits and Railroad Retirement benefits received during the year. Indiana also provides a partial exemption for military retirement income. Under IC 6-3-2-4 a taxpayer who is at least age 60 is entitled to an income tax deduction for the first \$2,000 of military retirement income. Federal civil service survivor annuitants are not entitled to an income tax deduction in Indiana. Military survivors are entitled to the \$2,000 deduction. Staff also noted that Indiana does not provide any exemption for state and local public employees' retirement income.

The fiscal analyst for the Commission provided information on the fiscal impact of exempting various types of pension income from the state income tax. According to this information, a complete exemption of federal civil service annuity income from state income taxation would

result in a revenue loss of approximately \$20 million for tax year 2001, and a complete exemption of military retirement income would result in a revenue loss of approximately \$9 million for tax year 2001.

The Commission heard testimony from the legislative chairman of the Indiana Federation of NARFE. The witness stated that as a retired federal employee he must pay more Indiana income tax than those who chose to work in private employment in positions covered by Social Security. He stated that he was requesting equity in the way that retired federal civil servants are taxed, and he cited a bill currently introduced in the United States Congress. The witness presented evidence of the difficulties involved in calculating the fiscal impact of proposals concerning the taxation of retirement income in Indiana. He offered the assistance of NARFE in developing an accurate fiscal impact statement and stated that NARFE would challenge any statement that was inaccurate.

A witness speaking on behalf of the president of the Indiana Chapters of NARFE testified that the discrimination in the state income taxation of retired federal employees has caused many of those federal retirees to move out of Indiana. He stated that federal retirees wish to be treated the same as other retirees for tax purposes.

The Commission heard testimony from a witness who explained that he had retired from the military, but under the state military income deduction statute he could not claim the \$2,000 deduction for military retirement income until he reached age 60. This witness said that the state discriminates against military retirees by not exempting the total amount of their retirement income. He also said that the state should refund the tax imposed on the military retirement income of those persons who have been unable to claim the military retirement income deduction because they were not yet age 60. In addition, the witness questioned why retirement benefits under the federal Railroad Retirement System are exempt from state income tax while military retirement income is not exempted.

The executive director of United Senior Action stated that the organization supports the efforts to eliminate the unfair treatment of civil service and military retirement income. He said that all retirees should be eligible for the same deduction, regardless of the source of their retirement income.

Another retired federal employee pointed out that his retirement benefits are taxed, while those of his brother, who was covered by Social Security, are not taxed. A representative of the Paralyzed Veterans of Indiana testified that he agreed with a previous witness' comments concerning the tax discrimination against retired veterans in Indiana.

The Commission also heard testimony a survivor of a federal civil service annuitant, who explained that Indiana law does not allow survivor annuitants to claim even the limited \$2,000 deduction for civil service annuitants. She stated that she was requesting equal treatment under Indiana income tax law for all retired citizens.

The Commission also heard testimony concerning the out-migration of retired federal employees who leave Indiana because of state tax concerns. A witness commented that the out-migration of retired federal employees is having a negative impact on Indiana's tax receipts and on the state's economy. This witness noted that when he retired from the Federal Aviation Administration, four co-workers who retired at the same time moved out of Indiana. He stated that Michigan, Illinois,

and Kentucky have larger exemptions for federal retirement income. He also cited a newspaper article discussing an Atlas Van Lines report showing that Indiana was one of fourteen states where more households shipped their belongings out of state than into the state. This witness presented four methods of changing the tax treatment of the elderly in Indiana. He stated that two of the suggestions would be revenue enhancing, one would be revenue neutral, and one would have a modest negative impact. This witness also presented the legislative history of the effort to change the current system of taxation of federal retirees in Indiana.

A number of witnesses stated that they support the concept of treating all retired persons in Indiana equally under state tax laws, regardless of who employed those persons during their working years, and that Social Security benefits receive a much more favorable treatment under Indiana tax law than federal civil service annuity income does.

Senator Tom Weatherwax testified that during the 1999 interim, the Pension Management Oversight Commission heard testimony on the issue of taxation of federal employees' pensions. He explained that the Pension Management Oversight Commission ultimately decided that the issue was a taxation issue, rather than a pension issue, and it referred the issue to the Commission on State Tax and Financing Policy. Senator Weatherwax also noted that the Commission on Military and Veterans Affairs had recently recommended legislation to increase the \$2,000 state income tax deduction for military income (including retirement income) to \$6,000.

CAGIT \ COIT Distributions Based on Maximum Property Tax Levies

The fiscal analyst for the Commission provided information showing: (1) the actual 2000 certified share distributions of county adjusted gross income tax (CAGIT) and county option income tax (COIT); and (2) the distribution that would have been made if the distribution were based on units' maximum property tax levies rather than actual property tax levies.

The fiscal analyst for the House Republican Caucus pointed out that under the existing law, CAGIT and COIT distributions to units of local government are based on the actual property tax levies collected by those units. Under this distribution formula, a local unit that decides to impose property taxes in an amount less than its maximum levy would not receive as much CAGIT or COIT revenue as it would if it imposed its maximum levy.

Property Tax Exemptions for Nonprofits

The Commission's staff provided a brief description of: (1) the property tax exemptions for property used for religious, educational, or charitable purposes; and (2) recent court decisions addressing property tax exemptions.

According to this testimony:

- (1) the statutes allowing property tax exemptions for property used for religious, educational, or charitable purposes do not apply to property owned by the state universities, and that state university property is governed by the statute applicable to property owned by the state of Indiana;
- (2) recent court cases have focused on the use of property and questions of ownership; and
- (3) when determining whether a person's property is used for "educational, literary, scientific, religious, or charitable purposes" the courts ask whether the property's use is

"incidental and necessary or reasonably necessary" to the person's educational, literary, scientific, religious, or charitable purpose.

The Commission's staff then briefly described the following tax court decisions:

In *Alte Salems Kirche*, the Tax Court rejected the State Tax Board's assertions that the Posey County church's provision of facilities to other organizations or groups for meetings or gatherings at no cost does not constitute a charitable act and that the church had failed to show that the property was used predominantly for a religious, educational, or charitable purpose. The Tax Court considered the use of the church for that charitable action along with the religious use of the property, and it determined that the church was predominantly used for religious and charitable uses.

In *New Castle Moose*, the Tax Court reviewed the various charitable endeavors undertaken by the Moose Lodge. The Tax Court rejected the State Tax Board's reliance upon the amount of the lodge's gross income donated to charity. The State Tax Board argued that the lodge's donation of four percent of its gross income was insufficient to qualify for a property tax exemption. The Tax Court disagreed. According to the Tax Court, the analysis does not "turn on the percentage of its gross income used for charitable, educational, or other benevolent purposes (citation omitted). Instead, a building's exempt status turns on whether the property is predominantly used for the above mentioned purposes more than 50% of the time."

In *Plainfield Elks*, the Tax Court also reviewed a lodge's monetary and in-kind contributions to charity. The State Tax Board had found the combination insufficient to qualify for a property tax exemption. Among the factors cited by the Board were the small percentage of the lodge's gross income contributed to charity; the fact that some of the Elks' activities were social, and the fact that the Elks had realized a small profit on the operation of the golf course located on the property. The Tax Court rejected the invitation to create a bright line test based upon the percentage of gross income donated to charity. The Tax Court held that property was predominantly, but not solely used for charitable purposes, and it remanded the case to the Board to determine the percentage of the exemption applicable to the property.

The Commission's fiscal analyst provided information listing the amount of exempt property reported in each county. The information showed the gross assessed value (before exemptions and deductions) and the reported exemptions in each county. The fiscal analyst explained that the exemptions were reported by county auditors on the auditors' abstracts. He also pointed out that it is possible that some exempt property may not be assessed and therefore would not be shown as exempt property. He noted that the exempt property amounts in his report did not include any non-taxable property, such as government-owned property.

Examples of Property Tax Relief Programs

Staff then provided the Commission with: (1) a memorandum describing examples of property tax relief programs that have been enacted by various states to alleviate property tax burdens; and (2) information providing a state-by-state description of circuitbreakers and homestead credits and exemptions.

Staff briefly described a number of approaches taken by states in providing property tax relief, including homestead exemptions or deductions; property tax credits and circuitbreakers; property tax deferrals; credits and exemptions for agricultural property; acquisition value assessments; assessed value freezes; caps on percentage increases of property values from reassessment; classification of property for assessment purposes; refunds or rebates; and phasing-in of new assessed values.

The report by the staff noted that:

- (1) according to a 1998 report, 28 states and the District of Columbia provided homestead exemptions or deductions;
- (2) in some states, all homeowners are eligible for the exemption, while in other states, the exemption is allowed for only a certain type of homeowner, such as the elderly or disabled;
- (3) "homestead credits" are much less common throughout the United States than homestead exemptions or deductions; and
- (4) it is difficult to make comparisons of the exemptions established by various states, because the assessment rate applied to actual value varies on a state-by-state basis;

The staff also briefly described a number of property tax deferral programs, which allow elderly homeowners to defer payment of some or all property tax liability until death or the sale of his or her home. Twenty-two states and the District of Columbia have some type of deferral program. Staff described California's "property tax postponement program" under which a qualified homeowner (legally blind, disabled, or age 62 or older; annual household income must be \$24,000 or less) can defer payment of all or part of his or her property taxes on a house, condominium, or mobile home. This deferred payment is a lien on the property and becomes due upon sale, change of residence, or death.

IV. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Commission did not make any findings of fact or recommendations in the 2000 interim.

WITNESS LIST

August 10, 2000

Professor John Mikesell, Professor of Public Finance and Policy Analysis at Indiana University
Grant Monahan, Indiana Retail Council
Representative Sheila Klinker
Mike Brooks, Greater Lafayette Progress
Jimmy Kesterson, Caterpillar Corporation
Bill Conyan, Indiana Economic Development Association
Steve Witte, Indiana Economic Development Association
Mark Cahoon, Indiana Manufacturers Association
Kevin Brinegar, Indiana Chamber of Commerce
Tom Fellrath, St. Joseph County Chamber of Commerce
Senator Ron Alting
David Bottorff, Association of Indiana Counties
Tim Brooks, Chairman of the State Board of Tax Commissioners
Judy Sharp, Monroe County Assessor and President of the County Assessors Association
Paul Ricketts, Lawrence Township (Marion County) Assessor

October 4, 2000

Claude Ferguson, Legislative Chairman of the Indiana Federation of NARFE
Frank Tester, NARFE
David Webb
Paul Severance, Executive Director of United Senior Action
Richard Wait, NARFE
Grace Wolfe, NARFE
Ray Brown, NARFE
Joseph Ziegler, NARFE
Richard Simmers, Paralyzed Hoosier Veterans
Senator Tom Weatherwax